



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Harry S. Mavrogenes
Interim Executive Director

SUBJECT: FY 2004-2005 APPROPRIATIONS DATE: June 18, 2004
RESOLUTIONS, AMENDMENTS TO
THE FY 2003-2004 ADOPTED CAPITAL
BUDGETS AND GRAFFITI REMOVAL
PROGRAM

RECOMMENDATION

It is recommended that:

- (a) The Agency Board adopt a resolution approving amendments to the FY 2003-2004 Appropriations Resolution to reflect various modifications to the FY 2003-2004 Revenue, Operating and Capital Budgets detailed on Attachment A and amending the FY 2003-2004 Agency revenue and expenditure appropriations resolution, detailed on Attachment A; and,
- (b) The Agency Board adopt the FY 2004-2005 Appropriations Resolutions for the Operating and Capital Budgets and authorize the Interim Executive Director to rebudget FY 2003-2004 remaining project appropriation balances for on-going projects/programs previously approved by the Agency Board; and,
- (c) The Agency Board adopt a resolution making certain determinations regarding the expenditure of Agency funds to eradicate graffiti.

BACKGROUND

On June 15, 2004 the Redevelopment Agency approved the Agency's Proposed FY 2004-2005 Operating and Capital Budgets as presented on April 30, 2004.

ANALYSIS

The recommended revisions are described in the remainder of this memorandum while the attachments provided outline the proposed appropriation adjustments.

HONORABLE MAYOR AND CITY COUNCIL

6/18/04

Subject: FY 2004/05 Budget Approval Actions

Page 2

FY 2003-2004 BUDGET REVISIONS:

REVENUE:

Interest Earnings: Reduction of \$3,904,059 due to continuing decline of interest rates throughout the year. (This information is shown in the Agency's monthly financial reports).

Other Misc. Revenue (-\$22.7 million):

PSM Refund: Proposed addition of \$1.1 million from excess construction funds being returned by the City pursuant to the terms of the Project Service Memorandum (PSM).

San Jose State University funding for Dr. Martin Luther King, Jr. Library: Reduction of \$3.8 million due to offset expenditures from the University being lower than anticipated. (Reduced revenue is mitigated by capital expenditure savings for the Library.)

BHV- Story Road (Sale of Agency Land): Reduction of \$14 million, due to the deferral of the sale of Redevelopment Agency land to the developer, BHV, to the next fiscal year. (Proceeds from this sale will be recorded in FY04-05.)

Brownfield Economic Development Initiative (BEDI) Story & King: Reduction of \$2 million, due to the deferral of this federal grant to the next fiscal year.

Brownfield Economic Development Initiative (BEDI) CIM: Reduction of \$2 million, due to the deferral of this federal grant to the next fiscal year.

Fox Theatre Grant Interest Income: Reduction of \$2 million because it was accrued in FY 02-03 by auditor; therefore, there is no recognition of revenue in FY03-04. (The revenue is therefore reflected in the FY02-03 fund balance.)

CAPITAL BUDGET:

Civic Plaza Redevelopment Area

Santa Clara Street – Development Site: Proposed addition of \$1,085,000 to cover the Civic Plaza eminent domain settlement for Lee and Pacific Car Wash, Inc.

Julian/Stockton Redevelopment Area

Bassett & N. First Street/Classic @ North Keystone: Proposed addition of \$17,000 for Public Art Fee.

Merged Redevelopment Area

Transit Mall Lighting: Proposed addition of \$402,000 to this new project line. The Transit Mall Lighting project will enhance the outdoor environment, which will increase the outdoor lighting levels within the Transit mall.

OPERATING BUDGET:

Personal/Non-personal: Reallocation from Non-Personal Services appropriation of \$150,000 to Personal Services appropriation is required to offset an increase in personnel costs. (Overall operating budget did not increase due to savings in non-personal services.)

MAYOR'S BUDGET MESSAGE HIGHLIGHTS (FY 2004-05):

Merged Redevelopment Area

Christmas in the Park: Proposed addition of \$30,000 to provide additional services and enhancements during the holiday season (see Attachment B).

REBUDGETS:

The timing of expenditures and encumbrances for many of the Agency's projects and programs occurs in multiple fiscal years which results in remaining appropriation balances at the end of a fiscal year. These remaining appropriation balances need to be carried forward into the new fiscal year to ensure that Agency projects and programs remain on schedule.

Today's action recommends that the Agency Board give the Interim Executive Director the authority to rebudget remaining appropriation balances from FY 2003-2004 into FY 2004-2005. The FY 2004-2005 appropriations include rebudget amounts as of March 31, 2004. These amounts will be adjusted accordingly to reflect the June 30, 2004 appropriation balances following the conclusion of the Agency's FY 2003-2004 year-end audit. These steps will ensure that total project budgets remain consistent with amounts previously approved by the Agency Board without there being a funding disruption between fiscal years.

GRAFFITI REMOVAL FINDINGS:

The Agency uses funding in its Merged Area Impact – Property Management line item, as well as various NBD and other line items to remove graffiti within project areas. To spend Agency funds for this purpose, the Agency Board must make a finding that, because of the magnitude and severity of the graffiti within the project areas, this action is necessary to effectuate the purposes of the redevelopment plan and to assist with elimination of blight. (The City's graffiti abatement team processes over 9,000 graffiti and sticker removals per year.)

COORDINATION

This item has been coordinated with the Mayor's Budget Office, the City Manager's Budget Office, and the Agency's General Counsel.

HONORABLE MAYOR AND CITY COUNCIL

6/18/04

Subject: FY 2004/05 Budget Approval Actions

Page 4

FISCAL IMPACT

A revised Merged Area Source and Use of Funds Summary incorporating the proposed budget revisions is presented as Attachment C. This summary replaces the Source and Use Statement included in the Proposed FY 2004-2005 Operating and Capital/Program budgets approved by the Agency Board on June 15, 2004.

HARRY S. MAVROGENES
Interim Executive Director

Attachments